

News Release

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Markit Global Business Outlook Survey: Emerging Markets

China drives upturn in emerging market business optimism

- **Upturn in emerging market business optimism for the year ahead reflective of improved sentiment in China**
- **China sees upturn in inflation expectations**

An upturn in business optimism in China to its highest for two years and sustained positive sentiment in Brazil, India and Russia adds to evidence that the emerging markets will help drive increased momentum of the global economic recovery in 2013.

Global economic growth slowed to a three-and-a-half year low in the final quarter of 2012, but Markit's Global Business Outlook survey, covering around 11,000 manufacturing and service sector companies in all major developed and emerging markets, showed that business expectations about the year ahead have risen to the highest for a year. The upturn in Chinese business confidence matches a similar improvement in global business confidence in the US, Japan, Eurozone and UK.

However, while optimism about business activity, revenues, new orders, profits and capital expenditures in the year ahead have picked up in China, firms in Russia, India and Brazil reported that business optimism has eased slightly compared to the previous (October) survey. Indian companies are the least optimistic since late-2009.

Importantly, however, all countries look set to see growth of private sector activity over the coming year, with the overall level of optimism remaining far higher in Brazil than any other country covered by the survey, buoyed in part by expected opportunities arising from the soccer World Cup and the Olympics. The proportion of firms expecting activity to expand in 12 months' time exceeded those expecting a decline by some 63 percent, which compares with +38 percent in China and +35 percent in both India and Russia.

There were variations by sector, however. In manufacturing, Chinese firms are the most optimistic among the BRICs, with Indian and Brazilian firms the least optimistic.

In services, the strongest growth expectations are seen in Brazil while Chinese firms expressed the least positive views on the next 12 months.

Employment set to rise

Companies in all four BRIC countries are set to hire additional staff on average over the next 12 months, with employment expectations picking up slightly compared to last October, led by increased service sector hiring.

However, of the four countries, only China and India saw firms' employment intentions pick up compared to late last year whereas hiring plans were scaled down in Russia and Brazil, though the latter continued to see the most positive hiring intentions.

Inflationary pressures forecast to persist

Input costs are anticipated to increase in each of the four BRIC countries over the course of the next year, although only companies in China expect stronger upwards cost pressures than in the previous survey. Companies in China expect to see the strongest rise in input costs since this time last year, with cost inflation set to be driven by the manufacturing sector.

Higher costs will feed through to higher average prices charged for goods and services. Expectations for output price inflation across the four BRIC countries were unchanged in February compared to late last year. China is the only country expecting an upturn in selling price inflation over the coming year.

Comment:

Chris Williamson, Chief Economist at Markit said:

“Business sentiment among the largest emerging market economies has remained strong in February, though only in China has the mood improved compared to late last year.

*“Out of the four ‘BRIC’ economies, **Brazilian** companies are the most optimistic regarding expanding business activity. New business emanating from the soccer World Cup and the Olympics was commonly cited as a principal source of growth over the coming year, but companies remain concerned about the global economy, and in particular the ongoing Eurozone crisis.*

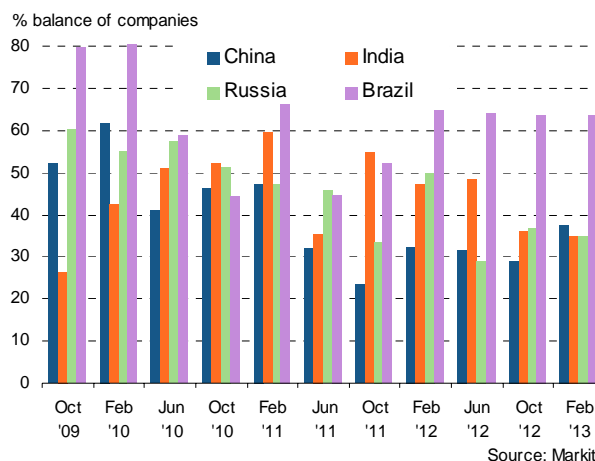
*“In the manufacturing sector, **Chinese** companies indicated the greatest levels of confidence, mentioning that stronger demand and the launch of new products should lead to faster output growth in 12 months’ time. Moreover, many firms across all sectors expect to see the government introduce new policies to help stimulate the economy.*

*“Meanwhile, **Indian** companies are set to increase their marketing and expand their business in order to attract more clients, but persistent power cuts are their major threat for the next year. Firms have also reported that the increased use of generators is set to be costly, affecting their profitability.*

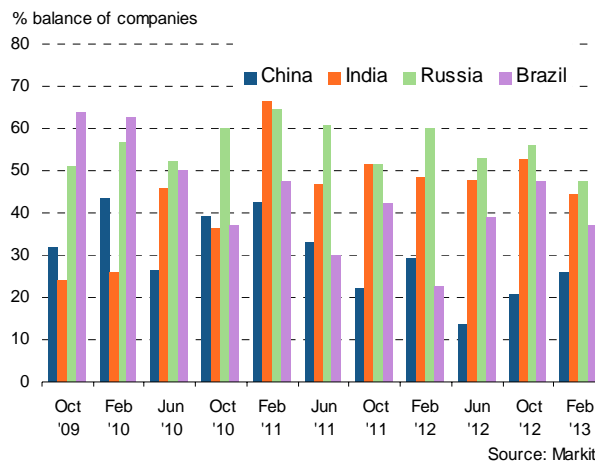
*“Inflationary pressures are set to persist across the BRIC economies over the course of the next year as companies seek to pass higher costs on to their customers. **China** saw weaker price expectations than India, Brazil and Russia, but was notable in that companies expect to raise their selling prices to the greatest extent since mid-2011 – a period when consumer price inflation peaked at 6.5%.”*

Expectations for year ahead - All figures are net balances (percent expecting a rise minus percent expecting a decline)

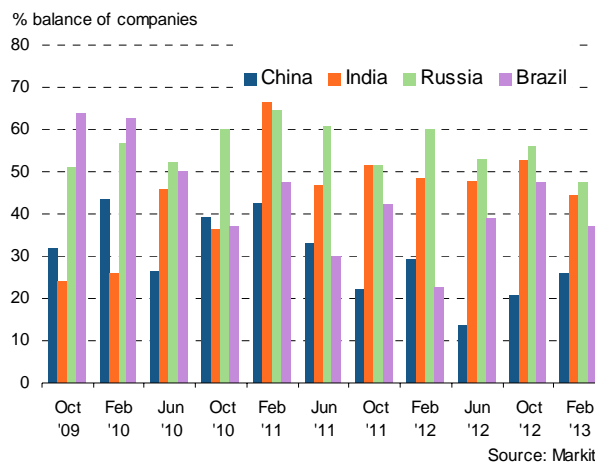
Activity



Employment



Input Costs



Overview of data:

Brazil composite

	Jun-12	Oct-12	Feb-13
Business Activity	+64	+64	+63
Business Revenues	+63	+63	+63
New Orders	+60	+64	+60
Profits	+55	+60	+59
Employment	+41	+49	+34
Capital Expenditure	+36	+44	+32
Input Prices	+39	+48	+37
Output Prices	+37	+47	+42

Russia Composite

	Jun-12	Oct-12	Feb-13
Business Activity	+29	+37	+35
Business Revenues	+37	+38	+36
New Orders	+36	+41	+38
Profits	+29	+29	+29
Employment	+16	+21	+17
Capital Expenditure	+18	+21	+20
Input Prices	+53	+56	+48
Output Prices	+51	+53	+43

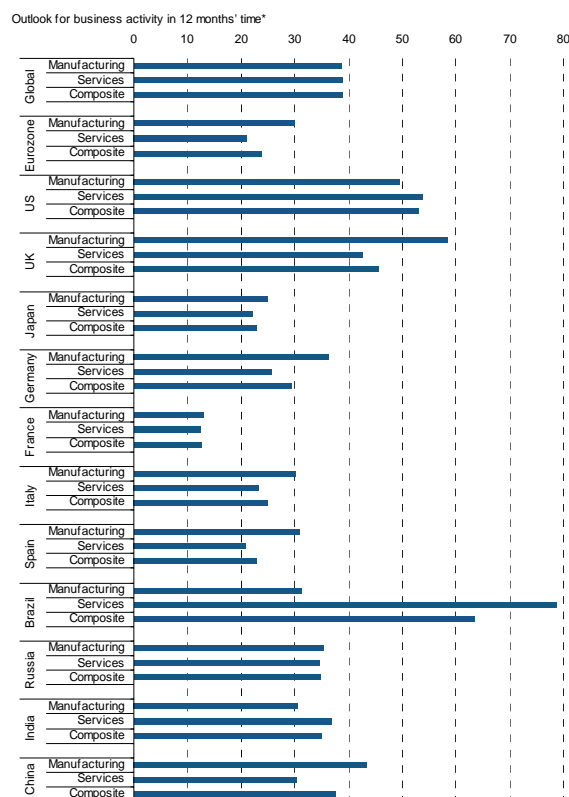
India Composite

	Jun-12	Oct-12	Feb-13
Business Activity	+48	+36	+35
Business Revenues	+49	+42	+38
New Orders	+46	+40	+35
Profits	+43	+37	+31
Employment	+24	+20	+22
Capital Expenditure	+30	+32	+28
Input Prices	+48	+53	+45
Output Prices	+45	+38	+36

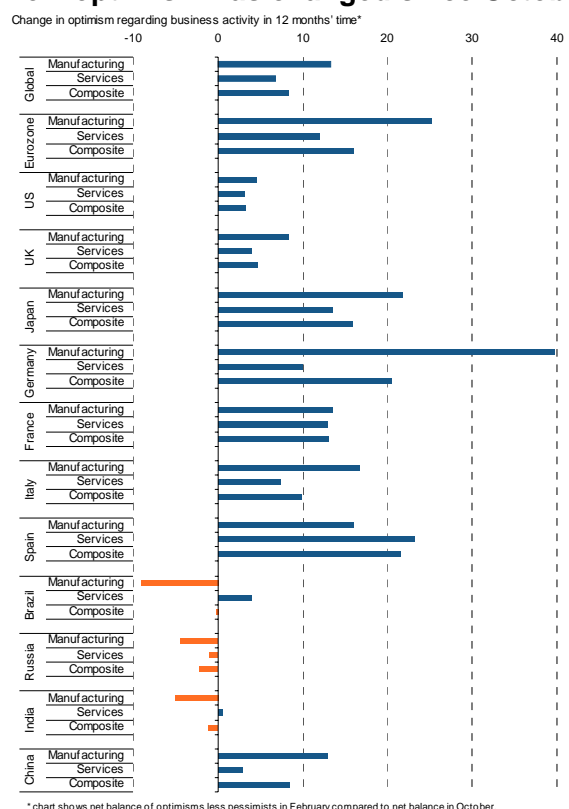
China Composite

	Jun-12	Oct-12	Feb-13
Business Activity	+32	+29	+38
Business Revenues	+27	+28	+38
New Orders	+28	+30	+39
Profits	+22	+23	+31
Employment	+16	+15	+19
Capital Expenditure	+27	+26	+30
Input Prices	+14	+21	+26
Output Prices	+3	+8	+13

Business activity outlook



How optimism has changed since October



Full data available on request, please contact
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-Ends-

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Notes to Editors:

The Global Business Outlook Survey for worldwide manufacturing and services is produced by Markit Economics and is based on a survey of around 11,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between February 12 and 26.

The countries covered by the survey are the US, Japan, Germany, the UK, France, Italy, Spain, Ireland, Austria*, the Netherlands*, Greece*, the Czech Republic*, Poland*, Brazil, Russia, India and China. (* Manufacturing only)

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that Markit Economics operates. This methodology seeks to ensure harmonization of data, and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, fax, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 11,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP and company size. This panel forms the basis for the survey. The current report is based on responses from around 6,300 firms.

About Markit

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Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index™ (PMI™) series, which is now available for 32 countries and key regions including the Euro zone and BRIC. The PMIs have become one of the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision-makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics.

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